

~~SECRET~~

Approved For Release 2000/08/02 : CIA-RDP61S00527A000100160012-7

ATTN : Assistant Director, O/RR
[REDACTED] 25X1A9a
Chief, Services Division

12 October 1953

25X1A5a1

Services Division's Need for the [REDACTED] project, Communist Take-over and "Economic Reshaping" of Eastern Europe

1. Although the Services Division, O/RR, is charged with the production of economic intelligence on the services sector of the Soviet Bloc, no analytical method within the framework of the conventional discipline of economic analysis has been developed to relate, in either absolute or comparative terms, the developments in the services sector, either whole or in part, to the economy or to the various sectors therein. Specifically, the need is for analytical tools to measure, absolutely and comparatively, the dynamism of the services sector and parts thereof and to be able to measure changes in the services sector caused by and related to changes in the other sectors of the economy. For example, if say 10,000 workers are transferred from tank production at Nizhny Tagil to the production of cotton textiles at Tashkent, it is evident that in addition to the physical movement of the 10,000 workers other economic ramifications are felt. For instance, it is obvious that more than 10,000 people are involved in the move because of the number of service and retail and wholesale workers needed in the new locality. Also, there will be changes in the transportation and communications complex and most likely in the geographical pattern of construction. No adequate economic tools are now available for either absolute or comparative measurement of the character and magnitude of the changes which would take place. Problems of this nature occur constantly in a dynamic economy, and especially in an expanding one.

2. Recent developments in economic theory and analysis in the Western World have been along lines consistent with fairly mature economies. Aside from a few British studies on the development of colonial economies, very little work has been done recently on economic development of backward areas and particularly economies which are attempting rapid industrialization on a large scale. A number of areas within the Soviet Bloc, including the USSR, are relatively underdeveloped and presently engaged in programs of "bootstrap" industrialization. More precise analytical tools are needed to enable us to analyze and understand the nature and problems of this process.

Approved For Release 2000/08/02 : CIA-RDP61S00527A000100160012-7

~~SECRET~~

- 2 -

3. One of the few good studies made in recent years on under-developed areas is one by K. Mandelbaum (The Industrialization of Backward Areas, Oxford, Blackwell, 1945). He uses economic models of the countries of Southeast Europe as his examples and discusses in fair detail the economic changes necessary to carry out an industrialization program. These countries are now Soviet Satellites and are in the process of carrying out industrialization programs. The Mandelbaum studies outline a theory for the analysis of the problem and develops an industrialization plan (with quantitative tables) for the economies concerned.

4. Unfortunately, the Services Division does not have analysts with sufficient area, source, and language competence in that region to enable it to test effectively the theory and plans developed by Mandelbaum against the actual developments in the Soviet-type economies over the last eight years. A comprehensive study of these economies since World War II would enable analysts of the Services Division to make an effective comparison and to develop the economic methodology necessary to analyze economic developments in Soviet-type economies.

5. We have the opportunity to have the needed Satellite study done for us 25X1A5a1

25X1A5a1 25X1A5a1

The project will be under the supervision of of the Services Division.

25X1A9a

6. Specifically, the project will benefit the Services Division as follows:

Chapter I - Preliminary Data: Material and Human Resources of Eastern Europe

This will provide background data for Project 43.3, Transportation in the European Satellites and Project 46.5, Estimate of Significance of Satellite Telecommunications Systems in Support of Soviet Orbit Economy.

SECRET

- 3 -

Chapter II - Displacements Brought About by the War and "Liberation"

This chapter will provide further background for the two projects mentioned above.

Chapter III - Dynamics of Nationalization: in the Industrial Sphere

This chapter will provide analysis of value for studying services to industry in Project 40.1, Development of the Services Sector of the Soviet Economy.

Chapter IV - Dynamics of Nationalization: in Banking, Insurance, and Finance

This chapter will provide information necessary in Project 42.2, Soviet Bloc Balance of Payments and Project 42.9, Contribution of USSR to Economic Development in Underdeveloped Areas.

Chapter V - Dynamics of Nationalization: in Wholesale and Retail Trade, Organization of the Monopoly of Foreign Trade
Chapter VII - Conflicting Economic Interests with the Soviet Union
Chapter IX - Changes in Trends in Foreign Trade

These chapters will provide information for use in Project 42.2, on cit., Project 42.9, on cit., Project 42.1, Soviet Intra-Bloc Trade, 1945-51, and analysis for use in Project 45.1, Soviet Retail Trade, and Project 45.2, Soviet Services to the Population.

Chapter VI - The Changes in Agriculture: from Land Reforms to Collectivization

This chapter will provide analysis for use in Project 45.5, Changes in the Distribution of the Soviet Agricultural Labor Force.

SECRET

~~SECRET~~

- 4 -

Chapter VIII - Planning and Capital Formation

This chapter will provide the necessary analysis for use in Project 40.1, op.cit.

Chapter X - The New Managerial Groups

This chapter will provide information and analysis for a series of projects on managerial techniques in Soviet Bloc economies which are now being planned for incorporation into the Division research program. It will also provide analysis for use in Project 40.1, op.cit.

7. The above-mentioned Project 40.1, Development of the Services Sector of the Soviet Economy, is one of the most important projects which is currently scheduled in the Services Division. It is felt that this study will provide historical time series, economic trends, input requirements, etc., for the services sector, and establish interrelationships with other sectors of the economy. This, in addition to its immediate value, will provide a base for research into more specific economic intelligence problems and thus, be a valuable addendum to the necessary research tools of the Services Division. In order to do a study of this nature most effectively, it would be of great value to have prior establishment of the economic methodology which the [REDACTED] study is expected to provide.

25X1A5a1

25X1A9a
[REDACTED]

WBM:jmc

~~SECRET~~